

**NORTH KOSSUTH  
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2015**

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**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

## **NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

### **Officials**

<b>NAME</b>	<b>TITLE</b>	<b>TERM EXPIRES</b>
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#### **Board of Education**

Jeanne Kinney	President	2017
Paul Bormann	Vice President	2015
Rick Bauer	Board Member	2017
Alycia Sandvig	Board Member	2015
Lyndon Johnson	Board Member	2015
Christine Klenz	Board Member	2015
Phil Albers	Board Member	2017

#### **School Officials**

Mike Landstrum	Superintendent	2015
Jennie Larson	District Secretary/ Treasurer	Indefinite
Rick Engel	Attorney	Indefinite

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report**

To the Board of Education of  
North Kossuth Community School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Kossuth Community School District, Swea City, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Kossuth Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of Matter

As discussed in Note 12 to the financial statements, North Kossuth Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 47 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Kossuth Community School District's basic financial statements. We and other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which is not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2016 on our consideration of North Kossuth Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Kossuth Community School District's internal control over financial reporting and compliance.

*Schnur & Company, LLP*

Fort Dodge, Iowa  
March 6, 2016

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

## **NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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North Kossuth Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,478,849 in fiscal year 2014 to \$4,563,260 in fiscal year 2015, while General Fund expenditures increased from \$4,349,221 in fiscal year 2014 to \$4,495,237 in fiscal year 2015. This District's General Fund balance increased from \$929,348 at the end of fiscal year 2014 to \$997,371 at the end of fiscal year 2015, a 7.3% increase.
- The fiscal year 2015 General Fund revenue increase was attributable to increases in sharing agreements, state foundation aid, and federal grant revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the negotiated salaries and benefits were less than the District's increase in General Fund revenue for fiscal year 2015.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of North Kossuth Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Kossuth Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which North Kossuth Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

#### ***Government-wide Financial Statements***

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (Continued)**

#### ***Fund Financial Statements (Continued)***

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014:

<b>Figure A-1</b> <b>Condensed Statement of Net Position</b> <b>(Expressed in Thousands)</b>							
	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	2014		2014		2014		2014 -
	(Not		(Not		(Not		2015
	restated)		restated)		restated)		
	<b>2015</b>		<b>2015</b>		<b>2015</b>		
Current and other assets	\$ 4,885	\$ 4,645	\$ 24	\$ 58	\$ 4,909	\$ 4,703	4.38%
Capital assets	3,350	3,340	21	30	3,371	3,370	0.03%
<b>Total assets</b>	<b>8,235</b>	<b>7,985</b>	<b>45</b>	<b>88</b>	<b>8,280</b>	<b>8,073</b>	<b>2.56%</b>
Deferred outflows of resources	237	-	6	-	243	-	0.00%
Liabilities:							
Long-term liabilities	1,680	442	30	3	1,710	445	284.27%
Other liabilities	1,202	1,079	1	34	1,203	1,354	-11.15%
<b>Total liabilities</b>	<b>2,882</b>	<b>1,521</b>	<b>31</b>	<b>37</b>	<b>2,913</b>	<b>1,799</b>	<b>61.92%</b>
Deferred inflows of resources	2,563	1,964	13	2	2,576	1,966	31.03%
Net Position:							
Net investment in capital assets	3,050	3,145	21	30	3,071	3,175	-3.28%
Restricted	638	676	-	-	638	676	-5.62%
Unrestricted	(661)	679	(14)	19	(675)	698	-196.70%
<b>Total net position</b>	<b>\$ 3,027</b>	<b>\$ 4,500</b>	<b>\$ 7</b>	<b>\$ 49</b>	<b>\$ 3,034</b>	<b>\$ 4,549</b>	<b>-33.30%</b>

The District's total net position decreased 33.3%, or approximately \$1,515,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$38,000, or 5.6%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$1,373,000, or 196.7%. This reduction in unrestricted net position was primarily a result of the District's net pension liability being recorded in the current year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,431,609 and \$36,106, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statements amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-2 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014:

<b>Figure A-2</b> <b>Changes in Net Position</b> <b>(Expressed in Thousands)</b>								
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total District</b>		<b>Total Change</b>	
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>	
	2014		2014		2014		2013-	
	(Not		(Not		(Not		2014	
	restated)		restated)		restated)			
	<b>2015</b>		<b>2015</b>		<b>2015</b>			
Revenues:								
Program revenues:								
Charges for service	\$ 1,099	\$ 1,241	\$ 69	\$ 62	\$ 1,168	\$ 1,303		-10.4%
Operating grants, contributions and restricted interest	683	586	108	103	791	689		14.8%
General revenues:								
Property tax	1,991	1,936	-	-	1,991	1,936		2.8%
Statewide sales, services and use tax	274	262	-	-	274	262		4.6%
Unrestricted state grants	974	891	-	-	974	891		9.3%
Unrestricted investment earnings	1	2	-	-	1	2		-50.0%
Other revenue	76	147	-	-	76	147		-48.3%
<b>Total revenues</b>	<b>5,098</b>	<b>5,065</b>	<b>177</b>	<b>165</b>	<b>5,275</b>	<b>5,230</b>		<b>0.9%</b>
Expenses:								
Instruction	3,516	3,414	-	-	3,516	3,414		3.0%
Support services	1,279	1,168	-	-	1,279	1,168		9.5%
Non-instructional programs	-	-	183	166	183	166		10.2%
Other expenses	345	332	-	-	345	332		3.9%
<b>Total expenses</b>	<b>5,140</b>	<b>4,914</b>	<b>183</b>	<b>166</b>	<b>5,323</b>	<b>5,080</b>		<b>4.8%</b>
<b>Change in net position</b>	<b>(42)</b>	<b>151</b>	<b>(6)</b>	<b>(1)</b>	<b>(48)</b>	<b>150</b>		<b>-132.0%</b>
Net position, beginning of year, as restated	3,069	4,349	13	50	3,082	4,399		-29.9%
Net position, end of year	\$ 3,027	\$ 4,500	\$ 7	\$ 49	\$ 3,034	\$ 4,549		-33.3%

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

In fiscal year 2015, property tax and unrestricted state grants accounted for 56.2% of governmental activities revenue while charges for service and operating grants and contributions accounted for 100.0% of business-type activities revenue. The District's total revenues were approximately \$5.3 million, of which approximately \$5.1 million was for governmental activities and \$200,000 was for business-type activities.

As shown in Figure A-2, the District as a whole experienced a 0.9% increase in revenues and a 4.8% increase in expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$5,098,294 and expenses were \$5,139,954 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

<b>Figure A-3</b>						
<b>Total and Net Cost of Governmental Activities</b>						
<b>(Expressed in Thousands)</b>						
<b>Total Cost of Services</b>				<b>Net Cost of Services</b>		
	2014				2014	
	(Not	Change			(Not	Change
	restated)	2014-2015			restated)	2014-2015
	2015			2015		
Instruction	\$ 3,516	\$ 3,414	3.0%	\$ 1,904	\$ 1,972	-3.45%
Support services	1,279	1,168	9.5%	1,246	921	35.29%
Other expenses	345	332	3.9%	208	193	7.77%
<b>Total</b>	<b>\$ 5,140</b>	<b>\$ 4,914</b>	<b>4.6%</b>	<b>\$ 3,358</b>	<b>\$ 3,086</b>	<b>8.81%</b>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,098,798.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$682,967.
- The net cost of governmental activities was financed with \$2,442,196 in property and other taxes and \$796,805 in unrestricted state grants.

#### **Business type Activities**

Revenues for business-type activities during the year ended June 30, 2015 were \$177,554, representing a 7.5% increase over the prior year, while expenses totaled \$183,910, a 10.7% increase from the prior year. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursement, and investment income.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **INDIVIDUAL FUND ANALYSIS**

As previously noted, North Kossuth Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,479,473, above last year's ending fund balances of \$1,429,932. The primary reason for the increase in combined fund balances at the end of fiscal year 2015 is due to increased revenues from local, state and federal sources.

#### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of many factors. Increased sharing arrangements during the year, state foundation aid and federal grants resulted in an increase in general fund revenues. Although the District increased expenditures during the current year, revenues were more than enough to match total expenditures; therefore, the District was able to carryover its fund balance to meet financial obligations in future years.
- The General Fund balance increased from \$929,348 to \$997,371 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Capital Projects Fund balance decreased due to proceeds from the sale of leased buses in the amount of \$88,427 received during fiscal year 2014 which wasn't received in fiscal year 2015. The District ended fiscal year 2015 with a balance of \$343,926.

#### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$13,348 at June 30, 2014 to \$6,992 at June 30, 2015, representing a decrease of approximately 47.6%. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUDGETARY HIGHLIGHTS

The District's total revenues were \$311,717 more than total budgeted revenues, a variance of approximately 6.3%.

Total expenditures were more than budgeted. The certified budget was exceeded in the instruction, support services, non-instructional programs and other expenditures functions due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2015, the District had invested approximately \$3.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4). More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$264,937.

The original cost of the District's capital assets was approximately \$6.7 million. Governmental funds account for approximately \$6.5 million, with the remainder of the \$200,000 accounted for in the Proprietary School Nutrition Fund.

<b>Figure A-4</b>							
<b>Capital Assets, net of Depreciation</b>							
<b>(Expressed in Thousands)</b>							
	<b>Governmental Activities</b>		<b>Business type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2013-2014</b>
Land	\$ 31	\$ 31	\$ -	\$ -	\$ 31	\$ 31	0.00%
Buildings	2,002	2,040	-	-	2,002	2,040	-1.86%
Improvements, other than buildings	602	640	-	-	602	640	-5.94%
Furniture and equipment	715	629	21	30	736	659	11.68%
<b>Total</b>	<b>\$ 3,350</b>	<b>\$ 3,340</b>	<b>\$ 21</b>	<b>\$ 30</b>	<b>\$ 3,371</b>	<b>\$ 3,370</b>	<b>0.03%</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

#### Long-term Debt

At June 30, 2015, the District had \$1,709,626 in total long-term debt outstanding. This represents an increase of approximately 384% from last year (See Figure A-5). Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

Figure A-5 Long-term Liabilities						<u>ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE</u>
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year	
Governmental activities:						
Compensated absences	\$ 4,048	\$ 5,187	\$ 4,048	\$ 5,187	\$ 5,187	
Termination benefits	79,674	90,000	29,058	140,616	44,224	
Capital leases	195,468	167,570	63,200	299,838	87,680	
Net pension liability	1,581,446	-	564,506	1,016,940	-	
Net OPEB liability	162,659	54,309	-	216,968	-	
<b>Total</b>	<b>\$ 2,023,295</b>	<b>\$ 317,066</b>	<b>\$ 660,812</b>	<b>\$ 1,679,549</b>	<b>\$ 137,091</b>	
Business-type activities:						
Net pension liability	\$ 39,885	\$ -	\$ 14,236	\$ 25,649	\$ -	At the time these financial
Net OPEB liability	3,317	1,111	-	4,428	-	
	\$ 43,202	\$ 1,111	\$ 14,236	\$ 30,077	\$ -	

statements were prepared and audited, the District was aware of several existing circumstances, which could significantly affect its financial health in the future:

- The North Kossuth Community School has advised the District its total taxable valuation will increase 4.2% for property tax collected in fiscal year 2015.
- The District will continue a whole grade sharing arrangement with Armstrong Ringsted and Sentral Community School Districts. Consolidated bus routes, shared staff and coaches, and shared expenses continue to affect the financial health of the district. North Kossuth employment needs will continue to be assessed.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jennie Larson, District Treasurer and Business Manager, North Kossuth Community School District, 203 5<sup>th</sup> Street North, Swea City, Iowa 50590.



## **BASIC FINANCIAL STATEMENTS**

## NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Exhibit A

## STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,598,640	\$ 68,597	\$ 1,667,237
Receivables:			
Property tax:			
Delinquents	18,248	-	18,248
Succeeding year	2,046,432	-	2,046,432
Accounts	12,156	-	12,156
Due from other funds	48,341	(48,341)	-
Due from other governments	1,161,661	-	1,161,661
Inventories	-	4,182	4,182
Capital assets, net of accumulated depreciation	3,349,694	20,604	3,370,298
<b>Total assets</b>	<b>8,235,172</b>	<b>45,042</b>	<b>8,280,214</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	236,870	5,974	242,844
<b>Liabilities</b>			
Accounts payable	869,668	-	869,668
Salaries and benefits payable	332,574	216	332,790
Unearned revenues	-	701	701
Long-term liabilities:			
Portion due within one year:			
Compensated absences	5,187	-	5,187
Termination benefits	44,224	-	44,224
Capital leases	87,680	-	87,680
Portion due after one year:			
Termination benefits	96,392	-	96,392
Capital leases	212,158	-	212,158
Net pension liability	1,016,940	25,649	1,042,589
Net OPEB liability	216,968	4,428	221,396
<b>Total liabilities</b>	<b>2,881,791</b>	<b>30,994</b>	<b>2,912,785</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	2,046,432	-	2,046,432
Pension related deferred inflows	516,643	13,030	529,673
<b>Total deferred inflows of resources</b>	<b>2,563,075</b>	<b>13,030</b>	<b>2,576,105</b>

(Continued on next page)

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**Exhibit A  
(Continued)**

**STATEMENT OF NET POSITION  
June 30, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 3,049,856	\$ 20,604	\$ 3,070,460
Restricted for:			
Categorical funding	155,907	-	155,907
Management levy purposes	108,089	-	108,089
Physical plant and equipment	343,926	-	343,926
Student activities	30,087	-	30,087
Unrestricted	(660,689)	(13,612)	(674,301)
<b>Total net position</b>	<b>\$ 3,027,176</b>	<b>\$ 6,992</b>	<b>\$ 3,034,168</b>

See notes to financial statements.

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2015**

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Services		
<b>Functions/Programs:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,117,745	\$ 730,181	\$ 372,679	\$ -
Special instruction	932,803	301,968	75,265	-
Other instruction	465,413	66,649	65,513	-
	<u>3,515,961</u>	<u>1,098,798</u>	<u>513,457</u>	<u>-</u>
Support services:				
Student	92,298	-	-	-
Instructional staff	121,990	-	-	-
Administration	519,740	-	18,607	-
Operation and maintenance of plant	281,082	-	-	-
Transportation	263,899	-	13,856	-
	<u>1,279,009</u>	<u>-</u>	<u>32,463</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	64,031	-	-	-
Long-term debt interest	5,456	-	-	-
AEA flowthrough	137,047	-	137,047	-
Loss on disposition of capital assets	19,255	-	-	-
Depreciation (unallocated)*	119,195	-	-	-
	<u>344,984</u>	<u>-</u>	<u>137,047</u>	<u>-</u>
<b>Total governmental activities</b>	<u>5,139,954</u>	<u>1,098,798</u>	<u>682,967</u>	<u>-</u>
Business-type activities:				
Support services:				
Operation and maintenance of plant	185	-	-	-
Non-instructional programs:				
Food service operations	183,725	69,290	108,247	-
<b>Total business-type activities</b>	<u>183,910</u>	<u>69,290</u>	<u>108,247</u>	<u>-</u>
<b>Total</b>	<u>\$ 5,323,864</u>	<u>\$ 1,168,088</u>	<u>\$ 791,214</u>	<u>\$ -</u>



**Exhibit B**

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business type Activities</b>	<b>Total</b>
\$ (1,014,885)	\$ -	\$ (1,014,885)
(555,570)	-	(555,570)
(333,251)	-	(333,251)
(1,903,706)	-	(1,903,706)
(92,298)	-	(92,298)
(121,990)	-	(121,990)
(501,133)	-	(501,133)
(281,082)	-	(281,082)
(250,043)	-	(250,043)
(1,246,546)	-	(1,246,546)
(64,031)	-	(64,031)
(5,456)	-	(5,456)
-	-	-
(19,255)	-	(19,255)
(119,195)	-	(119,195)
(207,937)	-	(207,937)
(3,358,189)	-	(3,358,189)
-	(185)	(185)
-	(6,188)	(6,188)
-	(6,373)	(6,373)
(3,358,189)	(6,373)	(3,364,562)

(Continued on next page)

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**June 30, 2015**

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Services		
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services				
and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
<b>Total general revenues</b>				

Change in net position

Net position beginning of year,  
as restated

Net position end of year

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

**Exhibit B**  
**(Continued)**

**Net (Expense) Revenue  
and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ 1,916,179	\$ -	\$ 1,916,179
74,869	-	74,869
176,881	-	176,881
274,267	-	274,267
796,805	-	796,805
1,401	17	1,418
76,127	-	76,127
3,316,529	17	3,316,546
(41,660)	(6,356)	(48,016)
3,068,836	13,348	3,082,184
\$ 3,027,176	\$ 6,992	\$ 3,034,168

# NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	Assets	General	Capital Projects
Cash and pooled investments		\$ 1,162,434	\$ 316,553
Receivables:			
Property tax:			
Delinquent		16,873	678
Succeeding year		1,869,851	76,581
Accounts		130	-
Due from other funds		58,342	21,893
Due from other governments		1,107,664	43,702
<b>Total assets</b>		<b>\$ 4,215,294</b>	<b>\$ 459,407</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable		\$ 839,799	\$ 24,424
Salaries and benefits payable		332,574	-
Due to other funds		14,928	14,476
<b>Total liabilities</b>		<b>1,187,301</b>	<b>38,900</b>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		1,869,851	76,581
Income surtax		160,771	-
<b>Total deferred inflows of resources</b>		<b>2,030,622</b>	<b>76,581</b>
Fund Balances:			
Restricted for:			
Categorical funding		155,907	-
Management levy purposes		-	-
Student activities		-	-
School infrastructure		-	277,719
Physical plant and equipment		-	66,207
Unassigned		841,464	-
<b>Total fund balances</b>		<b>997,371</b>	<b>343,926</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>		<b>\$ 4,215,294</b>	<b>\$ 459,407</b>

See notes to financial statements.

# Exhibit C

Nonmajor		Total	
\$	113,093	\$	1,592,080
	697		18,248
	100,000		2,046,432
	12,026		12,156
	7,510		87,745
	10,295		1,161,661
\$	243,621	\$	4,918,322

\$	5,445	\$	869,668
	-		332,574
	-		29,404
	5,445		1,231,646

	100,000		2,046,432
	-		160,771
	100,000		2,207,203

	-		155,907
	108,089		108,089
	30,087		30,087
	-		277,719
	-		66,207
	-		841,464
	138,176		1,479,473

\$	243,621	\$	4,918,322
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**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**Exhibit D**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

**June 30, 2015**

**Total fund balances of governmental funds (page 18)** \$ 1,479,473

*Amounts reported for governmental activities in the  
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. 3,349,694

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 160,771

An internal service fund is used by the District's management to charge the costs of the medical deductible reimbursement plan and employee flexible benefit plan to the individual funds. The assets and liabilities of the internal service funds are included with governmental activities. (3,440)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 236,870	
Deferred inflows of resources	(516,643)	(279,773)

Long-term liabilities, including capital leases, compensated absences, other post-employment benefits payable, early retirement obligations, and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,679,549)

**Net position of governmental activities (page 15)** \$ 3,027,176

See notes to financial statements.

## NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Exhibit E

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

## Governmental Funds

Year Ended June 30, 2015

	General	Capital Projects	Nonmajor Governmental	Total
Revenues:				
Local sources:				
Local tax	\$ 2,003,692	\$ 74,375	\$ 75,568	\$ 2,153,635
Tuition	1,031,301	-	-	1,031,301
Other	173,153	196	80,615	253,964
State sources	1,174,709	274,761	479	1,449,949
Federal sources	173,905	-	-	173,905
<b>Total revenues</b>	<b>4,556,760</b>	<b>349,332</b>	<b>156,662</b>	<b>5,062,754</b>
Expenditures:				
Current:				
Instruction:				
Regular	2,016,492	-	31,358	2,047,850
Special	932,803	-	-	932,803
Other	403,421	-	60,286	463,707
	<b>3,352,716</b>	<b>-</b>	<b>91,644</b>	<b>3,444,360</b>
Support services:				
Student	91,756	-	-	91,756
Instructional staff	32,367	114,186	-	146,553
Administration	439,017	20,072	22,116	481,205
Operation and maintenance of plant	232,780	39,303	27,790	299,873
Transportation	209,554	198,325	7,431	415,310
	<b>1,005,474</b>	<b>371,886</b>	<b>57,337</b>	<b>1,434,697</b>
Other expenditures:				
Capitalized lease payments	-	68,656	-	68,656
Facilities acquisition	-	102,523	-	102,523
AEA flowthrough	137,047	-	-	137,047
	<b>137,047</b>	<b>171,179</b>	<b>-</b>	<b>308,226</b>
<b>Total expenditures</b>	<b>4,495,237</b>	<b>543,065</b>	<b>148,981</b>	<b>5,187,283</b>
Excess (deficiency) of revenues over (under) expenditures	<b>61,523</b>	<b>(193,733)</b>	<b>7,681</b>	<b>(124,529)</b>

(Continued on next page)



**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**Exhibit E  
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

**Governmental Funds**

**Year Ended June 30, 2015**

	<b>General</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
Other financing sources:				
Capital lease proceeds	\$ -	\$ 167,570	\$ -	\$ 167,570
Sale of equipment and materials	6,500	-	-	6,500
<b>Total other         financing sources</b>	<b>6,500</b>	<b>167,570</b>	<b>-</b>	<b>174,070</b>
Change in fund balances	68,023	(26,163)	7,681	49,541
Fund balances, beginning of year	929,348	370,089	130,495	1,429,932
Fund balances, end of year	<u>\$ 997,371</u>	<u>\$ 343,926</u>	<u>\$ 138,176</u>	<u>\$ 1,479,473</u>

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2015**

**Change in fund balances - total governmental funds (page 21)** \$ 49,541

*Amounts reported for governmental activities in the  
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Basis in capital assets sold	\$ (19,255)	
Expenditures for capital assets	283,688	
Depreciation expense	<u>(255,062)</u>	9,371

Income surtaxes not collected for several months after the District's fiscal year ends are not considered available revenues in the governmental funds and are included as deferred inflows of resources. They are, however, recorded as revenues in the Statement of Activities. 1,776

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(167,570)	
Repaid	<u>63,200</u>	(104,370)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 185,501

(Continued on next page)

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT****Exhibit F  
(Continued)****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2015*****Amounts reported for governmental activities in the  
Statement of Activities are different because (continued):***

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	\$	(60,942)	
Compensated absences		(1,139)	
Pension expense		(50,605)	
Other post-employment benefits		<u>(54,309)</u>	\$ (166,995)

An internal service fund is used by the District's management to charge the costs of the health insurance deductible reimbursement program and employee flexible benefit plan to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

\$ (16,484)

**Change in net position of governmental activities (page 17)**

\$ (41,660)

See notes to financial statements.

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**Exhibit G**

**STATEMENT OF NET POSITION**

**Proprietary Funds**

**June 30, 2015**

	<b>Enterprise Fund</b>	
	<b>School Nutrition</b>	<b>Internal Service</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 68,597	\$ 6,560
Inventories	4,182	-
Total current assets	<u>72,779</u>	<u>6,560</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>20,604</u>	<u>-</u>
<b>Total assets</b>	<u>93,383</u>	<u>6,560</u>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	<u>5,974</u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities:		
Salaries and benefits payable	216	-
Due to other funds	48,341	10,000
Unearned revenue	701	-
Total current liabilities	<u>49,258</u>	<u>10,000</u>
Noncurrent liabilities:		
Net pension liability	25,649	-
Net OPEB liability	4,428	-
Total noncurrent liabilities	<u>30,077</u>	<u>-</u>
<b>Total liabilities</b>	<u>79,335</u>	<u>10,000</u>
<b>Deferred Inflows of Resources</b>		
Pension related deferred inflows	<u>13,030</u>	<u>-</u>
<b>Net position</b>		
Net investment in capital assets	20,604	-
Unrestricted	<u>(13,612)</u>	<u>(3,440)</u>
<b>Total net position</b>	<u>\$ 6,992</u>	<u>\$ (3,440)</u>

See notes to financial statements.

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**Exhibit H**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION**

**Proprietary Fund**

**Year ended June 30, 2015**

	<b>Enterprise Fund</b>	
	<b>School Nutrition</b>	<b>Internal Service</b>
Operating revenues:		
Local sources:		
Charges for service	\$ 69,290	\$ 27,260
Operating expenses:		
Support services:		
Internal service operations:		
Administration	-	10,007
Benefits	-	33,741
	-	43,748
Food service operations:		
Operation and maintenance of plant services	185	-
	185	-
Non-instructional programs:		
Food service operations:		
Salaries	51,241	-
Benefits	29,215	-
Purchased services	190	-
Supplies	93,035	-
Depreciation	9,875	-
Miscellaneous	169	-
	183,725	-
Total operating expenses	183,910	43,748
Operating (loss)	(114,620)	(16,488)
Non-operating revenues:		
State sources	1,512	-
Federal sources	106,735	-
Interest income	17	4
Total non-operating revenues	108,264	4
Change in net position	(6,356)	(16,484)
Net position beginning of year, as restated	13,348	13,044
Net position end of year	\$ 6,992	\$ (3,440)

See notes to financial statements.

## NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

## Exhibit I

## STATEMENT OF CASH FLOWS

## Proprietary Funds

Year ended June 30, 2015

	<b>Enterprise Fund</b>	
	<b>School Nutrition</b>	<b>Internal Service</b>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 91,857	\$ -
Cash from services provided to other funds	-	27,260
Cash paid to employees for services	(84,706)	(33,748)
Cash paid to suppliers for goods or services	(64,814)	-
<b>Net cash (used in) operating activities</b>	<b>(57,663)</b>	<b>(6,488)</b>
Cash flows from non-capital financing activities:		
State grants received	1,512	-
Federal grants received	95,506	-
<b>Net cash provided by non-capital financing activities</b>	<b>97,018</b>	<b>-</b>
Cash flows from investing activities:		
Interest on investments	17	4
<b>Net increase (decrease) in cash</b>	<b>39,372</b>	<b>(6,484)</b>
Cash beginning of year	29,225	13,044
Cash end of year	<b>\$ 68,597</b>	<b>\$ 6,560</b>

(Continued on next page)

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**Exhibit I  
(Continued)**

**STATEMENT OF CASH FLOWS**

**Proprietary Funds**

**Year ended June 30, 2015**

	<b>Enterprise Fund</b>	
	<b>School Nutrition</b>	<b>Internal Service</b>
<b>Reconciliation of operating (loss) to net cash (used in) operating activities:</b>		
Operating (loss)	\$ (114,620)	\$ (16,488)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Commodities used	11,229	-
Depreciation	9,875	-
Decrease in inventories	468	-
Decrease in accounts receivable	23,649	-
(Decrease) in accounts payable	(1,274)	-
(Decrease) in salaries and benefits payable	(1,959)	-
Increase in due to other funds	18,341	10,000
(Decrease) in deferred revenue	(1,082)	-
(Decrease) in net pension liability	(14,237)	-
(Increase) in deferred outflows of resources	(2,194)	-
Increase in deferred inflows of resources	13,030	-
Increase in other postemployment benefits	1,111	-
<b>Net cash (used in) operating activities</b>	<b>\$ (57,663)</b>	<b>\$ (6,488)</b>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2015, the District received \$11,229 of federal commodities.

See notes to financial statements.

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**Exhibit J**

**STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUND  
June 30, 2015**

	<u><b>Agency</b></u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 2,691</u>
<b>Liabilities</b>	
Deposits payable	<u>2,691</u>
<b>Net position</b>	<u><u>\$ -</u></u>

See notes to financial statements.



## NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Summary of Significant Accounting Policies**

North Kossuth Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education. The geographic area served includes the Cities of Bancroft, Ledyard and Swea City, Iowa and the predominate agricultural territory in Kossuth County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity:**

For financial reporting purposes, North Kossuth Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. North Kossuth Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Kossuth County Assessor's Conference Board.

#### **B. Basis of Presentation:**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (continued):

##### Government-wide Financial Statements (continued) –

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's health insurance deductible reimbursement plan and employee flexible benefit plan.

The District also reports fiduciary funds, which focus on net position and changes in net position. The District's fiduciary fund includes the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting:

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<b>Asset Class</b>	<b>Amount</b>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<b>Asset Class</b>	<b>Estimated Useful Lives (in Years)</b>
Buildings	20-50
Improvements other than buildings	20-50
Furniture and equipment	5-15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date, but before the end of the employer's reporting period.

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit these amounts.

*Unassigned* – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction, support services, non-instructional programs and other expenditures functions.

### Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities: certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$17,561 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor's Financial Services.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nutrition	\$ 48,341
General	Internal service fund	10,000
Management	General	7,510
Capital projects	General	7,418
Sales, service and use Tax	Physical plant and equipment	14,476
<b>Total</b>		<b>\$ 87,745</b>

These receivables and payables between funds arise from timing differences involved in the reimbursement of expenses at year-end. The balance is to be repaid by June 30, 2015.

### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 30,725	\$ -	\$ -	\$ 30,725
Total capital assets not being depreciated	30,725	-	-	30,725
Capital assets being depreciated:				
Buildings	3,346,288	38,411	-	3,384,699
Improvements other than buildings	808,373	4,467	-	812,840
Furniture and equipment	2,264,902	240,810	211,488	2,294,224
Total capital assets being depreciated	6,419,563	283,688	211,488	6,491,763
Less accumulated depreciation for:				
Buildings	1,306,266	75,992	-	1,382,258
Improvements other than buildings	167,624	43,203	-	210,827
Furniture and equipment	1,636,075	135,867	192,233	1,579,709
Total accumulated depreciation	3,109,965	255,062	192,233	3,172,794
Total capital assets being depreciated, net	3,309,598	28,626	19,255	3,318,969
Governmental activities capital assets, net	\$ 3,340,323	\$ 28,626	\$ 19,255	\$ 3,349,694
<b>Business type activities:</b>				
Furniture and equipment	\$ 144,051	\$ -	\$ -	\$ 144,051
Less accumulated depreciation	113,572	9,875	-	123,447
Business type activities capital assets, net	\$ 30,479	\$ (9,875)	\$ -	\$ 20,604



## NOTES TO FINANCIAL STATEMENTS

### Note 4. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 68,110

Other 1,706

Support services:

Student support 2,798

Administration 4,448

Operation and maintenance of plant 7,861

Transportation 50,944

135,867

Unallocated depreciation

119,195

Total depreciation expense - governmental activities

\$ 255,062

Business type activities:

Food service operations \$ 9,875

### Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year (Restated)	Additions	Reductions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 4,048	\$ 5,187	\$ 4,048	\$ 5,187	\$ 5,187
Termination benefits	79,674	90,000	29,058	140,616	44,224
Capital leases	195,468	167,570	63,200	299,838	87,680
Net pension liability	1,581,446	-	564,506	1,016,940	-
Net OPEB liability	162,659	54,309	-	216,968	-
<b>Total</b>	<b>\$ 2,023,295</b>	<b>\$ 317,066</b>	<b>\$ 660,812</b>	<b>\$ 1,679,549</b>	<b>\$ 137,091</b>
<b>Business-type activities:</b>					
Net pension liability	\$ 39,885	\$ -	\$ 14,238	\$ 25,649	\$ -
Net OPEB liability	3,317	1,111	-	4,428	-
<b>Total</b>	<b>\$ 43,202</b>	<b>\$ 1,111</b>	<b>\$ 14,238</b>	<b>\$ 30,077</b>	<b>\$ -</b>

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Long-term Liabilities (Continued)

Capital leases: The District entered into three capital leases to provide funds for the purchase of five buses. The leases bear interest at 2.72% to 2.98% per annum are payable from the Capital Projects, Statewide Sales, Services and Use Tax Fund or the Capital Projects, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2015 are as follows:

Year Ending June 30,	Issued January 1, 2015		Issued November 1, 2013		Issued August 6, 2012	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 24,433	\$ 3,899	\$ 22,586	\$ 3,262	\$ 40,661	\$ 1,212
2017	25,117	3,215	97,352	2,648	-	-
2018	89,689	2,511	-	-	-	-
	<u>\$ 139,239</u>	<u>\$ 9,625</u>	<u>\$ 119,938</u>	<u>\$ 5,910</u>	<u>\$ 40,661</u>	<u>\$ 1,212</u>

During the year ended June 30, 2015, the District made principal and interest payments totaling \$68,656 under the agreements.

Termination benefits: The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2015, the District has obligations to seven participants with a total liability of \$140,616. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$29,058.

### Note 6. Pension Plan

Plan Description: IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Pension Plan (Continued)

**Pension Benefits:** A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**Disability and Death Benefits:** A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**Contributions:** Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$185,501.

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Pension Plan (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the District reports a liability of \$1,042,589 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.0262888 percent, which was a decrease of 0.001949 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$47,203. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	\$185,501 reported as deferred outflow s of resource s related to pension s resultin g from the District contribu tions subsequ
Difference between expected and actual experience	\$ 11,331	\$ -	
Changes of assumptions	46,012	-	
Net difference between projected and actual earnings on pension plan investments	-	397,613	
Changes in proportion and differences between District contributions and proportionate share of contributions	-	132,060	
District contributions subsequent to the measurement date	185,501	-	
<b>Total</b>	<b>\$ 242,844</b>	<b>\$ 529,673</b>	

ent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (116,860)
2017	(116,860)
2018	(116,860)
2019	(116,861)
2020	(4,889)
	<u>\$ (472,330)</u>

There were no non-employer contributing entities at IPERS.

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Pension Plan (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary increases (effective June 30, 2010)	4.00 to 17.00 percent average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	( 0.69 )
<b>Total</b>	<b>100 %</b>	

Discount Rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Pension Plan (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
District's proportionate share of the net pension liability	\$ 1,969,940	\$ 1,042,589	\$ 259,806

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org)

Payables to the Pension Plan: At June 30, 2015, the District reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

### Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 48 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the health benefit plan on a pay-as-you-go basis.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District’s net OPEB obligation.

Annual required contribution	\$ 102,291
Interest on net OPEB obligation	4,066
Adjustment to annual required contribution	(11,997)
Annual OPEB cost	94,360
Contributions made	(35,623)
Increase in net OPEB obligation	58,737
Net OPEB obligation beginning of year	162,659
Net OPEB obligation end of year	<u>\$ 221,396</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$35,623 to the medical plan. Plan members eligible for benefits contributed \$5,343, or 13% of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 93,096	40.8%	\$ 108,213
2014	90,948	40.1%	162,659
<b>2015</b>	<b>94,360</b>	<b>37.8%</b>	<b>221,396</b>

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$465,977 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$465,977. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,833,000 and the ratio of the UAAL to covered payroll was 25.4%. As of June 30, 2015, there were no trust fund assets.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 7. Other Postemployment Benefits (OPEB) (Continued)**

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and by applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

### **Note 8. Risk Management**

North Kossuth Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$137,047 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### Note 10. Lease Commitments

The District leases office equipment under noncancellable operating leases requiring monthly payments of \$598 and \$587 and expiring in August 2015 and December 2019, respectively. The future minimum lease payments by year as of June 30, 2015 follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2016	\$ 8,239
2017	7,043
2018	7,043
2019	7,043
2020	3,522
<b>Total</b>	<b>\$ 32,890</b>

Total rent expense for the year ended June 30, 2015 was \$13,427.

### Note 11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<b>Program</b>	<b>Amount</b>
Gifted and Talented	\$ 11,331
Returning Dropouts and Dropout Prevention	69,399
Beginning Teacher Mentoring and Induction	671
Teacher Salary Supplement	30,826
Successful Progression for Early Readers	11,844
Professional Development for Model Core Curriculum	10,519
Professional Development	15,200
Teacher Leadership Grant	6,117
	<b>\$ 155,907</b>

## NOTES TO FINANCIAL STATEMENTS

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### Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources that arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position June 30, 2014, as previously reported	\$ 4,500,445	\$ 49,454
Net pension liability at June 30, 2014	(1,581,446)	(39,885)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>149,837</u>	<u>3,779</u>
Net position July 1, 2014, as restated	<u>\$ 3,068,836</u>	<u>\$ 13,348</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**



**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES  
AND CHANGES IN BALANCES - BUDGET AND ACTUAL -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

**Required Supplementary Information**

**Year ended June 30, 2015**

	<b>Governmental Funds Actual</b>	<b>Proprietary Fund Actual</b>	<b>Total Actual</b>
Revenues:			
Local sources	\$ 3,438,900	\$ 69,307	\$ 3,508,207
State sources	1,449,949	1,512	1,451,461
Federal sources	173,905	106,735	280,640
<b>Total revenues</b>	<b>5,062,754</b>	<b>177,554</b>	<b>5,240,308</b>
Expenditures/Expenses:			
Instruction	3,444,360	-	3,444,360
Support services	1,434,697	185	1,434,882
Non-instructional programs	-	183,725	183,725
Other expenditures	308,226	-	308,226
<b>Total expenditures/expenses</b>	<b>5,187,283</b>	<b>183,910</b>	<b>5,371,193</b>
Excess (deficiency) of revenues over (under) expenditures/expenses	(124,529)	(6,356)	(130,885)
Other financing sources, net	174,070	-	174,070
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	49,541	(6,356)	43,185
Balance, beginning of year	1,429,932	13,348	1,443,280
Balance, end of year	<u>\$ 1,479,473</u>	<u>\$ 6,992</u>	<u>\$ 1,486,465</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance Favorable (Unfavorable)
Original	Final	
\$ 2,930,920	\$ 2,930,920	\$ 577,287
1,630,935	1,630,935	(179,474)
366,736	366,736	(86,096)
4,928,591	4,928,591	311,717
3,305,380	3,305,380	(138,980)
1,313,255	1,313,255	(121,627)
176,021	176,021	(7,704)
202,970	202,970	(105,256)
4,997,626	4,997,626	(373,567)
(69,035)	(69,035)	(61,850)
-	-	174,070
(69,035)	(69,035)	112,220
1,474,736	1,474,736	(31,456)
\$ 1,405,701	\$ 1,405,701	\$ 80,764





## **NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING Year Ended June 30, 2015**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the instruction, support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.



**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY**

**Iowa Public Employees' Retirement System**  
**Last Fiscal Year\***  
**(In Thousands)**

**Required Supplementary Information**

	<b>2015</b>
District's proportion of the net pension liability	0.0262888%
District's proportionate share of the net pension liability	\$ 1,043
District's covered-employee payroll	1,931
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.01%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the District will present information for those years for which information is available.

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
(In Thousands)**

**Required Supplementary Information**

	<b>2015</b>	2014	2013	2012
Statutorily required contribution	<b>\$ 185</b>	\$ 172	\$ 160	\$ 155
Contributions in relation to the statutorily required contribution	<b>(185)</b>	(172)	(160)	(155)
Contribution deficiency (excess)	<b>\$ -</b>	\$ -	\$ -	\$ -
District's covered-employee payroll	<b>\$ 2,068</b>	\$ 1,931	\$ 1,850	\$ 1,916
Contributions as a percentage of covered-employee payroll	<b>8.93%</b>	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

2011		2010		2009		2008		2007		2006	
\$	136	\$	131	\$	127	\$	123	\$	107	\$	105
(136)		(131)		(127)		(123)		(107)		(105)	
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	1,961	\$	1,969	\$	1,998	\$	2,039	\$	1,861	\$	1,829
6.95%		6.65%		6.35%		6.05%		5.75%		5.75%	



## **NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –PENSION LIABILITY** **Year Ended June 30, 2015**

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#### *Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### *Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual contribution rate.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –PENSION LIABILITY (Continued)**  
**Year Ended June 30, 2015**

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The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



# **NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**

## **SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**

Required Supplementary Information

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
2010	July 1, 2009	\$ -	\$ 282,722	\$ 282,722	0.0%	\$ 1,760,000	16.1%
2011	July 1, 2009	-	263,979	263,949	0.0%	1,685,000	15.7%
2012	July 1, 2009	-	240,526	240,526	0.0%	1,696,000	14.2%
2013	July 1, 2012	-	615,361	615,361	0.0%	1,360,000	45.2%
2014	July 1, 2012	-	549,712	549,712	0.0%	1,360,000	40.4%
<b>2015</b>	<b>July 1, 2012</b>	<b>-</b>	<b>465,977</b>	<b>465,977</b>	<b>0.0%</b>	<b>1,833,000</b>	<b>25.4%</b>

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funding status and funding progress.

See accompanying independent auditor's report.



## **SUPPLEMENTARY INFORMATION**

## NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

## Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue Funds		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 99,882	\$ 13,211	\$ 113,093
Receivables:			
Property tax:			
Delinquent	697	-	697
Succeeding year	100,000	-	100,000
Accounts	-	12,026	12,026
Due from other funds	7,510	-	7,510
Due from other governments	-	10,295	10,295
<b>Total assets</b>	<b>\$ 208,089</b>	<b>\$ 35,532</b>	<b>\$ 243,621</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ 5,445	\$ 5,445
<b>Total liabilities</b>	<b>-</b>	<b>5,445</b>	<b>5,445</b>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	100,000	-	100,000
<b>Total deferred inflows of resources</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>
Fund balances:			
Restricted for:			
Management levy purposes	108,089	-	108,089
Student activities	-	30,087	30,087
<b>Total fund balances</b>	<b>108,089</b>	<b>30,087</b>	<b>138,176</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 208,089</b>	<b>\$ 35,532</b>	<b>\$ 243,621</b>

See accompanying independent auditor's report.

## NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

## Schedule 2

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2015

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 75,568	\$ -	\$ 75,568
Other	5,323	75,292	80,615
State sources	479	-	479
<b>Total revenues</b>	<b>81,370</b>	<b>75,292</b>	<b>156,662</b>
Expenditures:			
Current:			
Instruction:			
Regular	31,358	-	31,358
Other	-	60,286	60,286
Support services:			
Administration	22,116	-	22,116
Operation and maintenance of plant	27,790	-	27,790
Transportation	7,431	-	7,431
<b>Total expenditures</b>	<b>88,695</b>	<b>60,286</b>	<b>148,981</b>
Change in fund balances	(7,325)	15,006	7,681
Fund balances beginning of year	115,414	15,081	130,495
Fund balances end of year	\$ 108,089	\$ 30,087	\$ 138,176

See accompanying independent auditor's report.

**NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT****Schedule of Change in Special Revenue Fund, Student Activity Accounts****Year ended June 30, 2015**

<b>Account</b>	<b>Balance Beginning of Year</b>	<b>Revenues and Interfund Transfers</b>	<b>Expenditures</b>
Athletics	\$ 546	\$ 44,370	\$ 37,662
Vocal	1,599	200	-
Instrumental	-	1,416	597
Middle School Student Council	3,474	252	18
Activity tickets	-	3,185	-
Interest	-	8	-
Drama and speech	909	-	-
Yearbook	4,967	898	1,494
Elementary Student Council	2,724	24,881	20,265
Elementary Read-a-thon	1	-	-
Elementary Special Olympics	59	-	-
Quiz Bowl	-	-	250
Science Club	331	-	-
Music Boosters	471	-	-
High School Student Council	-	62	-
Business Club	-	-	-
Class of 2015	-	20	-
<b>Total</b>	<b>\$ 15,081</b>	<b>\$ 75,292</b>	<b>\$ 60,286</b>

See accompanying independent auditor's report.

**Schedule 3**

<b>Interfund Transfers</b>	<b>Balance End of Year</b>
\$ -	\$ 7,254
-	1,799
-	819
-	3,708
-	3,185
-	8
-	909
-	4,371
-	7,340
-	1
-	59
(302)	(552)
-	331
-	471
-	62
302	302
-	20
<hr/>	
\$ -	\$ 30,087
<hr/>	

## NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

## Schedule 4

Combining Balance Sheet  
Capital Projects Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 232,313	\$ 84,240	\$ 316,553
Receivables:			
Property tax:			
Delinquent	-	678	678
Succeeding year	-	76,581	76,581
Due from other funds	14,476	7,417	21,893
Due from other governments	42,333	1,369	43,702
<b>Total assets</b>	<b>\$ 289,122</b>	<b>\$ 170,285</b>	<b>\$ 459,407</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Due to other funds	\$ -	\$ 14,476	\$ 14,476
Accounts payable	11,403	13,021	24,424
<b>Total liabilities</b>	<b>11,403</b>	<b>27,497</b>	<b>38,900</b>
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	76,581	76,581
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>76,581</b>	<b>76,581</b>
Fund balances:			
Restricted for:			
School infrastructure	277,719	-	277,719
Physical plant and equipment	-	66,207	66,207
<b>Total fund balances</b>	<b>277,719</b>	<b>66,207</b>	<b>343,926</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 289,122</b>	<b>\$ 170,285</b>	<b>\$ 459,407</b>

See accompanying independent auditor's report.



## NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

## Schedule 5

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 74,375	\$ 74,375
Other	152	44	196
State sources	274,267	494	274,761
<b>Total revenues</b>	<b>274,419</b>	<b>74,913</b>	<b>349,332</b>
Expenditures:			
Current:			
Support services:			
Instructional staff services	82,565	31,621	114,186
Administration	-	20,072	20,072
Operation and maintenance of plant	33,736	5,567	39,303
Transportation	198,325	-	198,325
Other expenditures:			
Capitalized lease payments	54,180	14,476	68,656
Facilities acquisition	53,781	48,742	102,523
<b>Total expenditures</b>	<b>422,587</b>	<b>120,478</b>	<b>543,065</b>
Excess (deficiency) of revenues over (under) expenditures	(148,168)	(45,565)	(193,733)
Other financing sources (uses):			
Capital lease proceeds	167,570	-	167,570
	<b>167,570</b>	<b>-</b>	<b>167,570</b>
Change in fund balances	19,402	(45,565)	(26,163)
Fund balances beginning of year	258,317	111,772	370,089
Fund balances end of year	<b>\$ 277,719</b>	<b>\$ 66,207</b>	<b>\$ 343,926</b>

See accompanying independent auditor's report.



**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Fund**

**Year ended June 30, 2015**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 1,441	\$ 2,691	\$ 1,441	\$ 2,691
<b>Total assets</b>	<b>\$ 1,441</b>	<b>\$ 2,691</b>	<b>\$ 1,441</b>	<b>\$ 2,691</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,431	\$ -	\$ 1,431	\$ -
Due to other governments	10	-	10	-
Deposits payable	-	2,691	-	2,691
<b>Total liabilities</b>	<b>\$ 1,441</b>	<b>\$ 2,691</b>	<b>\$ 1,441</b>	<b>\$ 2,691</b>

# NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

## Schedule of Revenues by Source and Expenditures by Function All Governmental Funds

### For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 2,153,635	\$ 1,927,866	\$ 2,399,279	\$ 2,903,676
Tuition	1,031,301	972,374	851,770	468,992
Other	253,964	303,828	114,005	122,164
State sources	1,449,949	1,538,252	1,142,946	1,227,618
Federal sources	173,905	201,171	173,215	293,934
<b>Total revenues</b>	<b>\$ 5,062,754</b>	<b>\$ 4,943,491</b>	<b>\$ 4,681,215</b>	<b>\$ 5,016,384</b>
Expenditures:				
Instruction:				
Regular	\$ 2,047,850	\$ 2,119,922	\$ 1,817,542	\$ 1,820,296
Special	932,803	1,011,952	1,064,120	769,192
Other	463,707	192,319	437,957	608,662
Support services:				
Student	91,756	93,241	39,782	59,859
Instructional staff	146,553	79,521	64,433	225,957
Administration	481,205	441,552	471,492	466,881
Operation and maintenance of plant	299,873	346,004	263,108	291,827
Transportation	415,310	447,363	332,547	243,926
Other expenditures:				
Capitalized lease payments	68,656	40,324	-	-
Facilities acquisition	102,523	183,644	137,512	246,552
Long-term debt:				
Principal	-	-	-	130,000
Interest and other charges	-	-	-	5,245
AEA flowthrough	137,047	138,742	133,020	131,538
<b>Total expenditures</b>	<b>\$ 5,187,283</b>	<b>\$ 5,094,584</b>	<b>\$ 4,761,513</b>	<b>\$ 4,999,935</b>

See accompanying independent auditor's report.

Schedule 7

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
\$ 2,850,957	\$ 2,826,020	\$ 2,539,679	\$ 2,012,115	\$ 2,233,285	\$ 2,330,981
225,101	335,644	337,664	392,687	224,855	170,375
145,580	163,066	295,599	218,591	190,038	188,682
1,458,634	1,132,617	1,140,199	1,449,950	1,269,405	1,204,489
364,517	447,013	259,875	230,159	168,919	265,687
\$ 5,044,789	\$ 4,904,360	\$ 4,573,016	\$ 4,303,502	\$ 4,086,502	\$ 4,160,214
\$ 1,602,825	\$ 1,577,994	\$ 1,571,886	\$ 1,596,282	\$ 1,489,036	\$ 1,485,648
766,492	781,785	733,770	649,827	577,662	566,513
644,447	686,474	598,422	573,293	521,452	510,544
38,812	55,026	45,888	86,469	52,491	52,417
90,149	46,629	19,242	93,601	148,105	30,542
443,651	450,807	443,625	448,430	427,917	484,188
306,092	298,365	317,614	428,217	361,119	338,416
241,963	226,453	223,313	256,072	321,250	279,018
-	-	-	-	-	-
320,971	322,485	258,300	129,607	93,844	114,819
125,000	120,000	120,000	115,000	110,000	110,000
9,570	13,480	17,380	20,830	23,718	26,193
152,354	150,507	136,215	137,836	132,514	128,082
\$ 4,742,326	\$ 4,730,005	\$ 4,485,655	\$ 4,535,464	\$ 4,259,108	\$ 4,126,380





**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Education of  
North Kossuth Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Kossuth Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 6, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Kossuth Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Kossuth Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Kossuth Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as Item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Kossuth Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### North Kossuth Community School District's Responses to Findings

North Kossuth Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. North Kossuth Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Schnur & Company, LLP*

Fort Dodge, Iowa  
March 6, 2016



## NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs Year Ended June 30, 2015

#### **Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

#### **Part II: Findings Related to the Financial Statements:**

##### **Internal Control Deficiencies:**

II-A-15 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on account record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation – We realize, that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response – The District will continue to review and implement additional controls where possible.

Conclusion – Response accepted.

##### **Instances of Non-compliance:**

No matters were noted.

**Schedule of Findings and Questioned Costs  
(Continued)**

**Year ended June 30, 2015**

**Part III: Other Findings Related To Required Statutory Reporting**

III-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the instruction, support services, non-instructional programs and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

III-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-15 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-15 Business Transactions – No business transactions between the District and District officials or employees were noted.

III-E-15 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-15 Board Minutes – We noted no transactions requiring board approval that had not been approved by the board were noted.

III-G-15 Certified Enrollment – No variances in the basic enrollment data, certified to the Iowa Department of Education were noted.

III-H-15 Supplemental Weighting – No variances in the supplemental weighting certified to the Iowa Department of Education were noted.

**Schedule of Findings and Questioned Costs  
(Continued)**

**Year ended June 30, 2015**

**Part III: Other Findings Related To Required Statutory Reporting (Continued)**

- III-I-15    Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

The District adopted a depository resolution naming each depository that may hold funds for the District. However, the District did not list a maximum amount that may be maintained at each depository.

Recommendation – The District should review the depository resolution maximum amounts that may be kept on deposit and have the board approve.

District Response – We will review the maximum amounts that may be kept on deposit and have the board approve as part of the annual depository resolution.

Conclusion – Response accepted.

- III-J-15    Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- III-K-15    Categorical Funding –No instances were noted of categorical funding being used to supplant rather than supplement other funds were noted.

**Schedule of Findings and Questioned Costs  
(Continued)**

**Year ended June 30, 2015**

**Part III: Other Findings Related To Required Statutory Reporting (Continued)**

- III-L-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	258,317
Revenues/transfers in:			
Statewide sales, service and use tax revenue	\$	274,267	
Capital lease proceeds		167,570	
Other		152	441,989
Expenditures/transfers out:			
School infrastructure		53,781	
Capitalized lease payments		54,180	
Equipment		314,626	422,587
Ending balance		\$	<u>277,719</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- III-M-15 Deficit Balances – One student activity account had a deficit balance at June 30, 2015.

Recommendation – The District should investigate alternatives to eliminate the deficit in order to return the account to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate the deficit in the student activity account at the end of the fiscal year.

Conclusion – Response accepted.